

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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China - Peoples Republic of

Post: Guangzhou

ATO Guangzhou continues to pave the way for exports of U.S. hides

Report Categories:

Market Development Reports

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Report Highlights:

General Information:

After leading a delegation from the Guangdong Leather Association to visit U.S. hides exporters on October 2010, ATO Guangzhou worked closely with each tannery represented in the ATO-led buying mission to better understand their individual needs for hides. Meanwhile, ATO Guangzhou tenaciously encouraged U.S. hides exporters to visit tanneries in Guangdong that would soon become their buyers.

During a follow-up visit, a Fort Worth, Texas hides exporter signed contracts with two local tanneries for seven containers of steer, cow, and dairy hides worth in excess of \$5.6 million. In response to ATO Guangzhou's industry rally, a San Francisco based exporter also received trade support services from ATO Guangzhou's local tannery and subsequently landed a contract worth \$1.7 million dollars for the first shipment. ATO Guangzhou spared no efforts in facilitating communication on resolving outstanding pricing concerns and quality issues between local traders and U.S. exporters that had not been broached in over a decade.

According to U.S. Hides Skins and Leather Association, in 2010 over 50 percent of U.S. hides and leather were sold to China. China is the world's largest export destination for U.S. hides and skins, and ATO Guangzhou is creating new direct linkages between buyers in Mainland China and sellers in the States. ATO Guangzhou is leading the new hides procurement trend given that local traders do not want to purchase through Hong Kong brokers and wish to purchase directly from U.S. exporters. This change in business practices has required a great deal of support from ATO Guangzhou staff. ATO Guangzhou has been conducting numerous (nine in the last four months) outreach visits all across South China to gain better knowledge of the buyers' needs and aggressively expand the sales of U.S. hides where our competitors have made inroads.

In China, the increasing demand for high quality apparel such as leather handbags and shoes is fueling higher prices for hides to new record levels. Finished products that are produced for the domestic market are also reacting to higher leather prices, but these increases in prices are not deterring consumer spending on finished high-end leather apparel goods.

Post played an important role in assisting exporters realistic understanding of the situation local tanneries are facing while also educating Chinese buyers on developing a longer-term purchasing strategy that expands their inventories of U.S. hides to meet their production needs. Given the U.S. Hides, Skins, and Leather Association (USHSLA) has no local representation, ATO Guangzhou has proven essential in bridging sales between the burgeoning leather manufactures in South China and the U.S. beef and cattle industry. ATO Guangzhou has become USHSLA's satellite representative and essential market arm in the China market.